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Chile

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April 1986

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Official Name: Republic of Chile:

PROFILE

People

Nationality: *Noun and adjective*—Chilean(s). **Population** (1985): 12 million. **Annual growth rate:** 1.7%. **Ethnic groups:** Spanish-Indian (mestizo), European, Indian. **Religions:** Predominantly Roman Catholic 89%; Protestant 11%, and small Jewish population. **Language:** Spanish. **Education:** *Years compulsory*—8. *Attendance*—3,121,519 (1983). *Literacy*—94%. **Health** (1984): *Infant mortality rate*—20/1,000. *Life expectancy*—67 yrs.

Work force (3,841,000, 1985): *Agriculture, forestry, and fishing*—15.9%. *Industry and commerce*—31.3%. *Services (including government, 12.0%)*—38.6%. *Mining*—8.7%. *Construction*—4.4%.

Geography

Area: 756,945 sq. km. (302,778 sq. mi.); nearly twice the size of California. **Cities:** *Capital*—Santiago (1985, metropolitan area pop. 4 million). *Other cities* (metropolitan areas, 1985)—Concepcion (281,000), Vina del Mar (261,000), Valparaiso (273,000). **Terrain:** Desert in north; fertile central valley; volcanoes and lakes toward the south, giving way to fjords, inlets, canals, twisting peninsulas, and islands; Andes Mountains on the eastern border. **Climate:** Desert in north, Mediterranean in center, cool and damp in south.

Government

Type: Republic. **Independence:** September 18, 1810. **Constitution:** 1981.

Branches: *Executive*—president. *Legislative*—military junta, to be replaced by elected legislature in 1990. *Judicial*—Supreme Court, courts of appeal.

Administrative subdivisions: 12 numbered regions, plus Santiago metropolitan region.

Political parties: Recessed by government decree. **Suffrage:** Universal (no elections since 1973; last national vote was September 1980 plebiscite to approve new constitution).

Central government budget (1984): $7.2 billion.

Defense (1984): $1.0 billion or 5.2% of GDP.

Flag: Divided in half horizontally—the upper left third blue with a white star; the upper right two-thirds white; the lower half red.

Economy

GDP (1984 est.): $19.2 billion. **Annual real growth rate** (1984): 6.3%. **Per capita GDP** (1984): $1,590. **Avg. inflation rate** (1984): 23%.

Natural resources: Copper, timber, fish, iron ore, nitrates, precious metals, and molybdenum.

Agriculture (8% of GDP): *Products*—wheat, potatoes, corn, sugar beets, onions, beans, fruits, livestock. *Arable land*—6.6%. *Cultivated land*—2.5%.

Industry (21% of GDP): *Types*—mineral refining, metal manufacturing, food processing, fish processing, pulp, paper, and wood products.

Trade (1984): *Exports*—(f.o.b.) $3.7 billion: copper, molybdenum, iron ore, paper products, fishmeal, fruits, wood products. *Major markets*—US 26%, Japan 12%, FRG 10%, Brazil 6%. *Imports*—(c.i.f.) $3.5 billion: petroleum, sugar, wheat, capital goods, vehicles, electronic equipment, consumer durables. *Major suppliers*—US 21%, Japan 9%, Brazil 9%, Venezuela 7%, FRG 6%.

Fiscal year: Calendar year.

Official exchange rate (adjusted daily according to inflation): 183 Chilean pesos = US$1 (December 1985).

Economic aid received (grants and loans, 1949–85): *Total*—$3.5 billion, of which only small amounts in recent years.

Membership in International Organizations

UN and several of its specialized and related agencies, Organization of American States (OAS), Organization of Copper Exporting Countries (CIPEC), Group of 77, Latin American Integration Association (ALADI), Economic System for Latin America (SELA).

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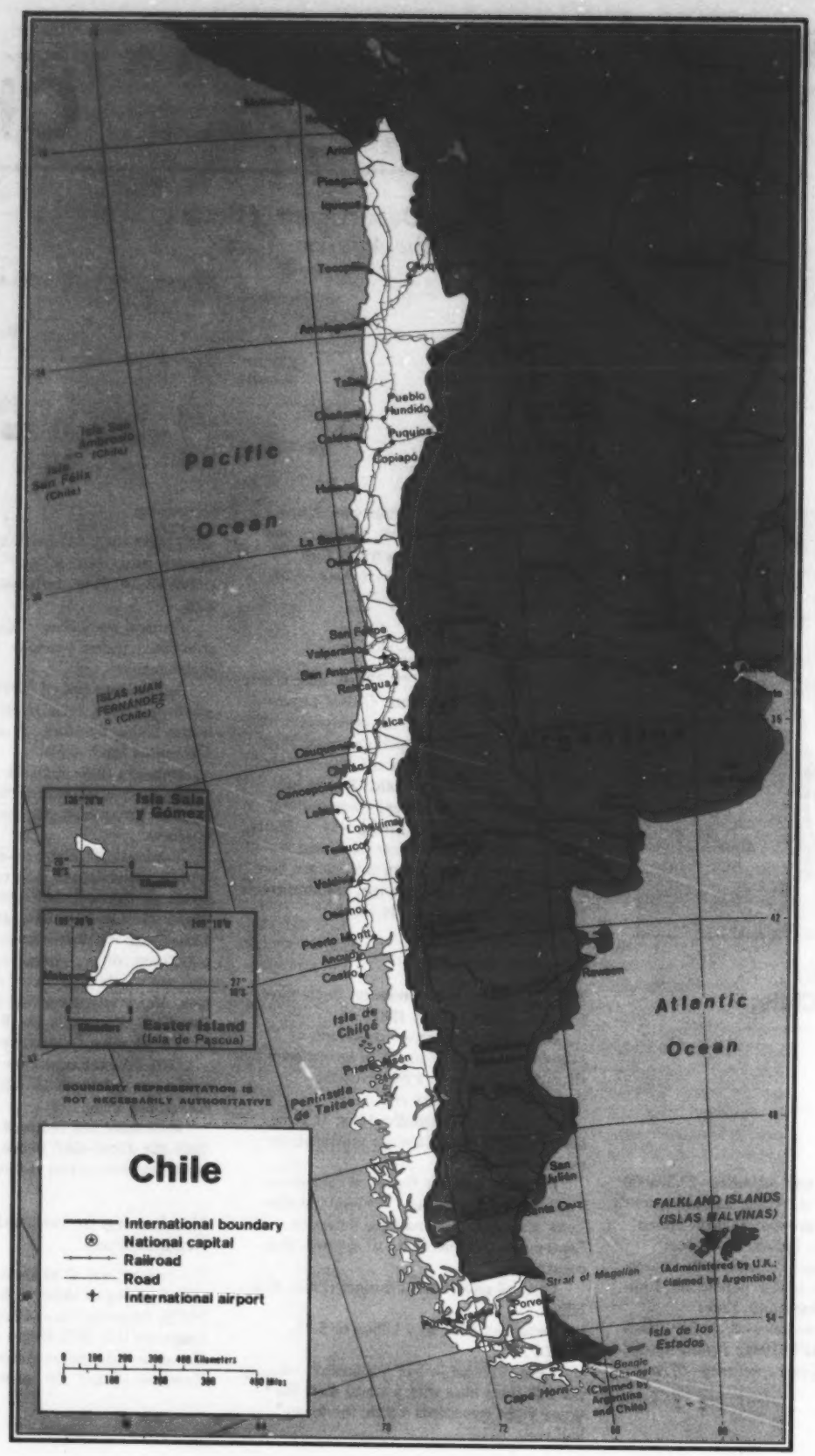
Chile
International boundary
National capital
Railroad
Road
International airport
Pacific Ocean
Atlantic Ocean
Isla Sala y Gómez
Easter Island
(Isla de Pascua)
ISLAS JUAN FERNANDEZ
(Chile)
Isla San Ambrosio
(Chile)
Isla San Félix
(Chile)
Isla de Chiloé
Península de Taitao
Pueblo Hundido
Puquios
Copiapó
Osorno
Puerto Montt
Ancud
Castro
Temuco
Lebu
Talca
Rancagua
Valparaíso
San Antonio
Coquimbo
Ovalle
La Serena
Vallenar
Chañaral
Taltal
Antofagasta
Tocopilla
Arica
Iquique
Pisagua
Punta Arenas
Porvenir
Isla de los Estados
Cape Horn
Strait of Magellan
San Julián
Puerto Deseado
Rawson
FALKLAND ISLANDS
(ISLAS MALVINAS)
(Administered by U.K.; claimed by Argentina)
(Claimed by Argentina and Chile)
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PEOPLE

About 82% of Chile's population live in urban centers. This includes the 36% of the total population who live in the Santiago metropolitan area. Few Latin American countries have a more homogeneous population. This may be due to the geographical and cultural isolation that lasted for much of Chile's early history. The largest population group is of Spanish ancestry. However, a small but influential number of Irish and English immigrants came to Chile during the colonial era. An important stream of German immigration started in 1848 and lasted for 90 years; the southern provinces of Valdivia, Llanquihue, and Osorno have a strong German imprint. Other significant immigrant groups are Italian, Yugoslav, French, and Arab. About 400,000 persons of predominantly Indian descent, mostly of the Mapuche tribe, reside in the south-central area around Temuco.

GEOGRAPHY

Chile's land area is 756,945 square kilometers, nearly twice the size of California. Chile's west coast stretches 4,267 kilometers (2,650 mi.) along the Pacific Ocean. The average width is about 161 kilometers (100 mi.) and at no point is more than 403 kilometers (250 mi.). The Andes Mountains are on the eastern frontier. Some of the world's highest mountains and greatest ocean depths are within or near Chile's borders. Because the country lies in an area of geologic instability, it has suffered severe earthquakes.

Northern Chile is desert and contains great mineral wealth, primarily copper and nitrates. The relatively small central area dominates the country in terms of population and agricultural resources. This is also the historical center from which Chile expanded until the late 19th century, when it incorporated its northern and southern extremes. Southern Chile is rich in forests and grazing lands and has a string of volcanoes and lakes. The southern extreme of this region is a labyrinth of fjords, inlets, canals, twisting peninsulas, and islands. It also has modest petroleum resources, supplying about half of Chile's consumption.

Some islands in the Pacific Ocean belong to Chile, including the Juan Fernandez Islands, 724 kilometers (450 mi.) west of Santiago, where Alexander Selkirk, the model for Daniel Defoe's Robinson Crusoe, was marooned. Easter Island, 3,220 kilometers (2,000 mi.) from Santiago, is the site of an ancient and mysterious Polynesian culture.

The northern altiplano region with grazing llamas.

The central zone, including Santiago and the port of Valparaiso, has a mild Mediterranean climate. Summers are generally warm and dry; winters are mild and damp with little snowfall except in the eastern mountains. The northern deserts have a mild climate, due to the moderating influence of the cold Humboldt Current in the Pacific and the proximity of the Andes Mountains. In the south, the weather is generally cool and damp; it becomes much wetter in the archipelago region, where the average annual precipitation is more than 254 centimeters (100 in.).

HISTORY

Chile was settled in 1541 by Spanish explorers led by Pedro de Valdivia, who came from Peru. Although the Spaniards did not find the gold and silver they had hoped for, they recognized the agricultural potential of Chile's central valley. Chile became part of the Viceroyalty of Peru and was ruled by a governor and captain general appointed by the Spanish king but directly responsible to the Peruvian viceroy. In almost 300 years of colonial rule, the Spanish established institutions and customs that still influence Chile today. The latifundio system of large landholdings, the Roman Catholic Church, and an aggressive frontier attitude that developed as a result of recurrent Indian wars were the most formative influences on Chilean society.

The drive for independence from Spain was precipitated by the weakening of Spanish power as a result of involvement in the Napoleonic wars. A national government was formed on September 18, 1810, although Chilean independence was not formally proclaimed until February 12, 1818, after a prolonged struggle led by Chile's most renowned patriot, Bernardo O'Higgins. This political revolution, however, brought little social change.

Nineteenth-century Chilean society preserved the essence of the colonial social structure. In this period, the influence of the church declined, and the system of presidential absolutism evolved gradually into one of legislative predominance, culminating in congressional victory over the president in the civil war of 1891.

Toward the end of the 19th century, Chile consolidated its position in the south by finally pacifying the Mapuche Indians and, in 1881, signed a treaty with Argentina confirming Chilean sovereignty over the Strait of Magellan. As a result of the War of the Pacific against Peru and Bolivia (1879–83), Chile expanded its territory northward by almost one-third and acquired valuable nitrate deposits, the exploitation of which led to an era of national affluence.

The early 20th century saw a degeneration of parliamentary government into an unstable system aimed at protecting the interest of the ruling oligarchy. By the 1920s, the newly emergent middle- and working-classes were powerful enough to elect a reformist president; however, his program was frustrated by a conservative Congress. This led to further political instability that resulted in the quasi-dictatorial rule of Gen. Carlos Ibanez (1924–32). The disorders of this period were heightened by the economic crises caused by the worldwide depression of the 1930s and falling nitrate prices after World War I.

When constitutional procedures were restored in 1932, a strong middle-class party, the Radicals, had formed. The Radical Party became the key force in coalition governments for the next 20 years. Several Marxist groups with strong popular roots also emerged. During this period of leftist coalition governments (1932–52), the state gradually increased its role in the economy. However, presidents generally were more conservative than the parties supporting them, and conservative political elements continued to exert considerable power through their influence over the economy and control of rural voters. Significant undertakings between 1934 and 1965 included the initiation of a program of state-directed industrial development (though accomplished at the expense of agricultural progress), extension of the social welfare system, and expansion of education.

The 1964 presidential election of Christian Democrat Eduardo Frei Montalva by an absolute majority initiated a period of major reform. Under the slogan "Revolution in Liberty," the Frei administration—the first Christian Democratic government in Latin America—embarked on far-reaching social and economic programs, particularly in education, housing, and agrarian reform (including rural unionization). By 1967, however, Frei was encountering increasing opposition from leftists who alleged his reforms were inadequate and from conservatives who found them excessive. Factions also developed within the Christian Democratic Party, resulting in the defection of left-wing members. At its term's end, the Frei administration had made noteworthy accomplishments but had not achieved the party's ambitious goals.

The September 1970 presidential election was won narrowly by Dr. Salvador Allende Gossens, a Marxist and member of Chile's Socialist Party, who headed the "Popular Unity" (UP) coalition of socialists, communists, radicals, and dissident Christian Democrats. His program included the takeover of much of Chile's remaining private industries and banks, acceleration of land redistribution, and the nationalization of American interests in Chile's major copper mines.

Elected by a plurality of only 36,000 votes over the second of three candidates, and with 36% of the total vote, Allende never enjoyed a parliamentary majority, was unable to achieve broad-based support for his policies, and would not repudiate the extreme leftist groups that supported his government. After 3 years of Allende's policies, most domestic production had declined, and severe shortages of consumer goods, food, and manufactured products were widespread. By 1973, there were mass demonstrations against the government, recurring strikes, violence by both government supporters and opponents, and widespread rural unrest. Chilean society became polarized into two hostile camps.

These factors, plus public censure of the Allende government by the Chilean Congress, judiciary, and comptroller general for many abuses—including violations of the constitution—brought about a military coup that overthrew Allende on September 11, 1973. The new military regime undertook extensive repression of perceived opponents, especially those it believed to be Marxist. The Congress was abolished, and all political parties were banned. Thousands of Chileans were first imprisoned and then released or permitted to go into exile. Others, of whom the most authoritative listing is about 635, disappeared after arrest by security forces; they are presumed dead. As of early 1986, nearly 4,000 Chileans were still prohibited from returning to their country.

Cultural Achievements

Chileans have long distinguished themselves for achievements in many cultural fields. Poets Gabriela Mistral and Pablo Neruda were awarded the Nobel Prize for Literature in 1945 and 1971, respectively, and many living Chilean novelists, poets, and short story writers have international reputations. For more than 150 years, Chilean historians have been in the forefront of their discipline and, more recently, social scientists of Chile are gaining outstanding reputations. The Chilean public education system is among the best in Latin America, and Chilean universities, distributed throughout the length of the country, contain many distinguished scholars.

In the fine arts, Chilean musicians, painters, sculptors, composers, and actors have also achieved fame. Santiago boasts three symphony orchestras and Valparaiso and Concepcion one each. An excellent international concert series, organized by the Beethoven Society of Santiago, brings leading musicians to Chile. The Teatro Municipal of Santiago is one of Latin American's foremost halls for ballet, opera, and concerts. A host of professional theatre groups present plays on a year-round basis in Santiago, and American and European movies are shown in Chile soon after their openings in the United States.

GOVERNMENT

Chile has been ruled by a military government since September 11, 1973. Legislative authority is vested in a junta made up of the commanders in chief of the navy, air force, and national police (carabineros) and an army representative. Executive authority is exercised by President Augusto Pinochet Ugarte, who is also commander of the army. Cabinet ministers are appointed by the president. Regional administrators (intendants), provincial governors, mayors, and university rectors are also appointed by the central government.

The junta dissolved the Congress in 1973 and, subsequently, suspended all political parties for an indefinite period. A state of siege was lifted in March 1978, reimposed in 1984, and then lifted again in June 1985; however, many restrictions on civil and political freedoms remain in force under a state of emergency that is periodically renewed. No elections for political office have taken place since 1973. The mass media often criticize the government but act under a form of self-imposed censorship.

In a September 1980 national plebiscite, a new constitution was approved by a two-thirds majority. It entered into force in March 1981. The new constitu-

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tion provides for an 8-year period, during which President Pinochet will continue to exercise extraordinary executive power, and the military junta will act as the legislature. This period is scheduled to end with the nomination by the four junta members of a single presidential candidate in late 1988. If approved by a plebiscite, the new president would take office in March 1989 for an 8-year term. Elections for a bicameral Congress would be held in 1990. If the junta candidate is rejected, national presidential and congressional elections would be convoked by President Pinochet within 1 year.

Leaders of all the principal political parties, except the communists and one faction of the socialists, met in August 1985 at the invitation of the Roman Catholic Cardinal of Santiago and signed a "national accord for transition to full democracy." The accord called for an end to the state of emergency, reestablishment of university autonomy, return of all exiles, resumption of legal political activity, and six major constitutional amendments, including provision for a free and competitive presidential election. Appeals were subsequently made to the government to meet with representatives of the accord signers to discuss their proposals for a peaceful transition. The Communist Party has refused to adhere to the accord, reaffirming its commitment to armed struggle and terrorism.

Principal Government Officials

President—Gen. Augusto Pinochet Ugarte

Members of the Governing Junta
Adm. Jose Merino
Gen. Fernando Matthei
Gen. Rodolfo Stange
Gen. Julio Canessa

Ministers
Interior—Ricardo Garcia Rodriguez
Foreign Affairs—Jaime Del Valle Alliende
Finance—Hernan Buchi Buc
Economy—Juan Carlos Delano Ortuzar
Education—Sergio Gaete Rojas
Justice—Hugo Rosende Subiabre
Defense—Vice Adm. Patricio Carvajal Prado
Public Works—Brig. Gen. Bruno Siebert Held
Transportation—Air Brig. Gen. Enrique Escobar Rodriguez
Agriculture—Jorge Prado Aranguiz
Mines—Samuel Lira Ovalle
Housing—Miguel Angel Poduje Sapiain
Labor—Alfonso Marquez de la Plata Y.
Public Health—Dr. Winston Chinchon Bunting
Lands and Settlement—Gen. Rene Peri Fagerstrom
Secretary General of the Government—Francisco Javier Cuadra Lizana

Ambassador to the United States—Hernan Felipe Errazuriz
Ambassador to the Organization of American States (OAS)—Javier Illanes
Ambassador to the United Nations—Pedro Daza

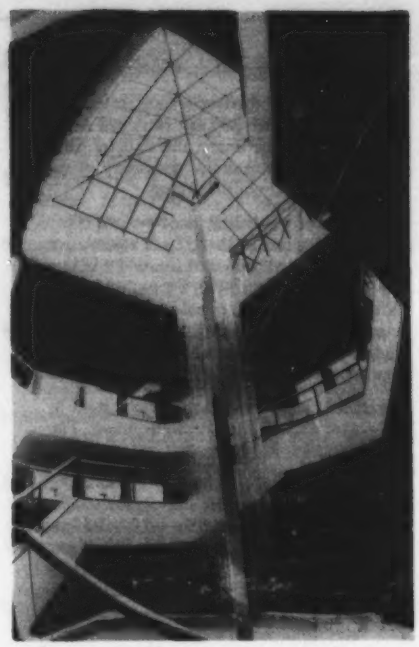
Chile maintains an embassy in the United States at 1732 Massachusetts Avenue NW., Washington, D.C. 20036.

DEFENSE

According to public sources, the Chilean Armed Forces consist of about 50,000, 24,000 navy, and 11,000 air force personnel. The strength of the national police (carabineros) is about 27,000. The country is divided into six military regions, with headquarters in Iquique, Antofagasta, Santiago, Concepcion, Valdivia, and Punta Arenas, and three naval zones, with headquarters in Valparaiso, Talcahuano, and Punta Arenas. The Chilean Armed Forces and carabineros, whose mission is territorial defense and maintenance of civil order, are noted for their high standard of training and discipline. Since 1973, many armed forces and carabineros officers have held high government positions.

ECONOMY

Chile has the natural and human resources to provide a satisfactory standard of living for its population. How to develop these resources and distribute their benefits has been and continues to be the main issue of economic debate. From 1923 to 1973, Chile experimented with various economic philosophies, but the general trend was toward increasing state intervention in the economy and protecting or isolating the Chilean economy from outside competition. From the late 1920s to the late 1950s, real per capita income remained almost stagnant. For a few years in the 1960s, rapid growth was achieved. Copper prices averaged high levels during the 1964–74 period, immensely helping the economy. In the early 1970s, the Allende regime experimented with consumption-oriented state socialism. This produced enormous fiscal deficits, explosive money growth, consumption



Shopping in Santiago ranges from covered markets to the convenience of supermarkets and modern enclosed shopping malls.

subsidies, and gross price distortions. By 1973, real per capita gross domestic product (GDP) and real wages had fallen well below the levels of 1970; agricultural production had dropped to the level of the early 1960s; monthly inflation had reached an annual rate above 1,000%; the central government deficit alone exceeded 20% of GDP; the black market exchange rate had risen to more than 10 times the official rate; and net international reserves were negative.

In mid-1975, in the face of a severe international recession, sharply lower copper prices, the recent quadrupling of oil prices, and lingering damage from Allende policies, Chile turned to free market-oriented policies and began to open its economy. The peso was devalued, eliminating the black market and permitting a strong increase in nontraditional exports. Tariffs were reduced, foreign investment was welcomed, and capital controls were liberalized. Hundreds of nationalized companies were resold to the private sector, although the government today still owns key copper, oil, steel, and other companies. Most markets were freed from government controls, and prices were allowed to seek their own levels.

Incentives for national saving and investment were undertaken. For example, corporate and personal income taxes

Travel Notes

Customs: A valid passport and a tourist card (issued by the carrier) are required for entry. Requirements for entry and exit by car are numerous, and obtaining necessary documents can be time-consuming.

Climate and clothing: Seasons are the reverse of those in the US. It seldom rains in summer (Dec.-Mar.), and humidity is low. Middays reach 32°C (90°F); nights are cool. Winter (June-Sept.) is cold and rainy, with snow in the surrounding mountains. Sweaters and woolens are recommended April-Nov. A topcoat or lined raincoat is useful in winter.

Health: Conditions are generally good in Santiago, except for prevalent smog. Tapwater is potable, but do not eat unwashed fruits and vegetables. No immunizations are needed for travel to Chile.

Telecommunications: The telephone system in Santiago is good; it is fair in other parts of Chile. International telephone and wire service are good. Chile is 1 hour ahead of eastern standard time (EST). Daylight-saving time (2 hrs. later than EST) begins the second Sunday in October and ends in March.

Transportation: Flights from the US take 8-18 hrs. Overland travel by car or bus from neighboring countries is possible, although winter snows may close the main pass to Argentina for weeks. The only regular US passenger shipping line is *Lykes* Line, with embarkation from the ports of Houston and New Orleans. Taxi and bus service in Santiago is good, and fares are reasonable.

Tourist attractions: Beautiful beaches are located within a 2-4 hr. drive from Santiago. Some, however, are dangerous because of strong undertows and lack of lifeguards. Because of the cold water, sunbathing is more popular than swimming at most beaches. Other popular summer resorts are found in the lake region, about 500 miles south of Santiago. Known as the "Switzerland of South America," this area offers excellent trout fishing and some of the most magnificent scenery on the continent. Other summer activities include boat trips through the channels and fjords of the south, from Puerto Montt to Punta Arenas on the Strait of Magellan at the tip of the continent, and an excursion to the Juan Fernandez Islands, 400 miles off the coast at Valparaiso.

The northern desert offers isolated beaches, access to the Andean highland Indian culture, and numerous but hard to reach archaeological sites. The museum at San Pedro de Atacama is famous for its pre-Columbian mummies and artifacts. In the Central Region, Chile's world famous mountain resorts offer first-class skiing during the Northern Hemisphere summer.

National holidays: Businesses and the US Embassy may be closed on the following 1986 Chilean holidays:

New Year's Day	January 1
Good Friday	March 28
Easter	March 30
Labor Day	May 1
Battle of Iquique	May 21
Assumption Day	August 15
Official Holiday	September 11
Independence Day	September 18
Day of the Army	September 19
Columbus Day	October 12
All Saints Day	November 1
Immaculate Conception	December 8
Christmas Day	December 25

were indexed; capital gains taxation and double taxation of dividends were eliminated; and a cascading sales tax was replaced by a value-added tax. A drastic budget-cutting program was adopted to reduce government deficits and the concomitant inflation and balance-of-payments disequilibrium. In 1981, the public social security pension system was largely replaced by a private system of individual retirement accounts.

Under its free market policy during the period 1976-81, the GDP increased in real terms by an annual average of over 7%; inflation declined dramatically; and significant improvements were registered in the general health and welfare of the people. By mid-1981, however, Chile began to suffer the effects of the economic slowdown of its major trading partners. Prices for Chile's exports, such as copper, forest products, and fishmeal, declined sharply. In addition, a rigidly fixed peso/dollar exchange rate starting in mid-1979 seriously eroded the competitiveness of Chilean products. The exchange rate, plus mandatory wage indexation, overpriced Chilean exports in the world market.

By mid-1982, in the face of a serious decline in domestic production, a sharp rise in unemployment, increasing bankruptcies, and financial deterioration, the Chilean Government devalued the peso. Previously large external capital inflows dried up. Total GDP fell by 14.1% in 1982. In early 1983, additional measures were taken to stem the economic decline. These included the temporary state takeover of several large banks with serious economic difficulties, the renegotiation of portions of the large foreign debt coming due in 1983-84, and Central Bank support for the renegotiation of domestic bank loans. Chile agreed to a 2-year IMF (International Monetary Fund) macroeconomic austerity program beginning in early 1983. With the measures contained in the IMF program, the economy declined by only 0.7% in 1983. In 1984, the economy grew at the high rate of 6.3%. Continuing foreign exchange shortages, however, led to growth of only about 2% in 1985.

Under the IMF macroeconomic program for 1985-88, Chile will continue to strive for moderate economic growth while managing its large external debt servicing burden. Good performance under the IMF program assures private commercial lenders that Chile will continue to follow rational economic policies. Long-term prospects for the Chilean economy are heavily influenced by a high debt service ratio, very low domestic savings and investment, the prospect of little or no increase in copper prices, and continuing problems in the domestic financial sector. In 1985, real per capita GDP was at the 1973 level.

Agriculture

The free market policy in Chile's agriculture came to a halt in 1983. Since 1983, Chile has instituted support systems for wheat, sugar, and vegetable oils, which have been the principal reasons for the improved performance of the agricultural sector. In terms of area planted and production, wheat is the most important crop and has been increasing due mainly to the new domestic support price. Fruit production continues to expand and has become one of Chile's principal foreign exchange earners.

The United States is Chile's main agricultural trading partner. In 1984, the United States bought 46% of Chile's agricultural exports, mostly fruit, while providing 34% of the country's imports. Wheat is Chile's principal import from the United States.

Most farming occurs in the 1,127 kilometer (700 mi.) stretch of central Chile extending from just north of Santiago to Puerto Montt in the south. Wheat, corn, grapes (wine and table varieties), beans, sugar beets, and deciduous fruits are the major crops. Crop yields, excluding fruits, tend to be lower than in the United States (partly because of less fertilizer use) but higher than in most Latin American countries. Livestock production consists primarily of beef and poultry; beef is pasture fed, and poultry production is much the same as in the United States. Chile is now a net agricultural exporter but will continue to import agricultural products, especially wheat and tropical products.

Chilean agricultural exports consist principally of fresh and processed fruits, pulses, vegetables, wine, and wool. Exports of these products are growing and will help promote an agricultural trade balance.

Minerals and Mining

Although mining accounts for only 8.7% of GDP, mineral products accounted for 54% of the country's merchandise exports in 1984. As many new exports have developed, dependence on copper has been reduced over the past decade; however, it still accounts for about 43% of exports. In 1984, copper exports amounted to $1.6 billion. Chile is the world's largest producer and exporter of copper. Its known copper reserves and resources are estimated at about 20% of the world total. Most of the ore is processed into either electrolytic or blister copper before export. The country's largest copper producer is the state-owned CODELCO-CHILE, which produces about 1 million metric tons annually.

Chile exports important quantities of gold, silver, iron ore, and molybdenum and is one of the world's largest producers of elemental iodine. It also has the world's largest natural nitrate deposits in the Atacama Desert areas of the two northernmost provinces. In addition, the Atacama area is the site of an estimated 4 million metric tons of metallic lithium, almost 33% of the world's known reserves.

All of Chile's domestic petroleum production comes from the Strait of Magellan and the island of Tierra del Fuego at the southern tip of the country. The state-owned petroleum company, ENAP, is the country's only producer of crude oil and natural gas. Petroleum production equals just under half of domestic consumption. Petroleum products in Chile are priced at international market levels.

Chile produces bituminous coal in the Gulf of Arauco region, south of Concepcion. It also has large reserves of sub-bituminous coal in the Valdivia and Magellanes areas between 40 degrees and 55 degrees south latitude. Projects to exploit the latter deposits are being developed.

Industry

Most of Chile's industrial infrastructure was built during the 1930s and 1940s in an effort to replace consumer goods imports, which were in short supply during the international depression and World War II. Manufacturing grew under the protection of high tariffs. Much of this industry was inefficient and could not take advantage of economies of scale in the small local market. When the Chilean economy was exposed to foreign competition by the progressive lowering of tariffs to a uniform 10% level by 1979, the manufacturing sector was one of the most seriously affected. Pegging the peso to the dollar from 1979 to 1982 hurt manufacturing even more. The peso has now been freed, and tariffs increased to 20%. In recent years, manufacturing emphasis has shifted toward semiprocessing of primary exports such as fish and forest products, while production of many finished products has declined. Over the same time, the manufacturing sector, as a portion of GDP, declined from 25% to 21%.

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For more information on economic trends and other information on commercial opportunities, trade regulations, and tariff rates, contact the International Trade Administration, US Department of Commerce, Washington, DC 20230, or any Commerce Department district office.

FOREIGN RELATIONS

The Chilean Government maintains diplomatic relations with more than 70 countries. When the military regime came to power in 1973, most communist countries, except for China and Romania, broke diplomatic relations. Mexico also severed relations with Chile.

Relations with Argentina were strained by the boundary dispute at the southern tip of the continent, until a peaceful settlement was reached in 1985 with the help of Papal mediation. The loss of territory by Peru and Bolivia to Chile during the War of the Pacific continues to have a strong influence on the national attitudes and policies of those nations. Bolivia seeks international support for an outlet to the sea, but negotiations have been suspended since 1978 when it again broke relations with Chile. By treaty, any Bolivian-Chilean

agreement involving former Peruvian territory also would require Peru's concurrence.

U.S.-CHILEAN RELATIONS

Despite some improvement in recent years, the full normalization of U.S.-Chilean relations has been affected by continuing human rights problems, particularly with regard to the right of its citizens to participate in the choice of their government. In 1976, the assassination in Washington, D.C., of Orlando Letelier, a former Chilean Ambassador, and Ronni Moffitt, a U.S. citizen, caused a sharp deterioration in relations and led the U.S. Congress to ban security assistance and arms sales to Chile. In 1981, the Congress made future assistance contingent on Presidential certification that:

- The Government of Chile has made significant progress toward internationally recognized principles of human rights;
- Chile is not aiding or abetting international terrorism;
- Certification is in the national interest; and
- The Government of Chile has taken appropriate steps to cooperate to bring to justice by all legal means available in the United States or Chile those indicted by a U.S. grand jury in connection with the murders of Letelier and Moffitt.

The Chilean courts rejected extradition for three Chilean ex-intelligence officials indicted by a U.S. grand jury in the Letelier/Moffitt case. The Chilean Government has not investigated or prosecuted the case on its own.

The United States looks to Chile to improve further its human rights performance and hopes that Chile will take concrete steps toward the reestablishment of democratic rule.

The U.S. Agency for International Development mission in Chile was formally closed in May 1981. The Peace Corps terminated operations in Chile in early 1982. The United States maintains a bilateral food assistance program which provides dietary supplements to the children of low income families. This program operates through both official and private voluntary agencies. The U.S. Overseas Private Investment Corporation ensures eligible U.S. investments in Chile, and the U.S. Export-Import Bank helps finance U.S. exports to Chile.

Principal U.S. Officials

Ambassador—Harry G. Barnes
Deputy Chief of Mission—George F. Jones
Public Affairs Officer (USIS)—Eugene J. Friedmann
Political Counselor—John F. Keane
Economic Counselor—Wendell Belew
Administrative Counselor—Jeremy Nice
Chief, Consular Section—Jayne L. Kobliska
Commercial Attache—Richard R. Ades
Defense Attache—Capt. William M. Mickle
Agricultural Attache—W. John Child
Labor Attache—Donald R. Knight

The U.S. Embassy in Santiago is located at Agustinas 1343 (tel. 71-01-33). The consulate is located at Merced 230 (tel. 71-01-33). ■

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